

**Lake Odessa Community Library**

**Financial Statements  
With Supplemental Information  
February 28, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Lake Odessa Community Library</b>	County <b>Ionia</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>10/12/05</b>	Date Accountant Report Submitted to State: <b>1/17/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

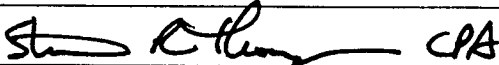
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Biggs, Hausserman, Thompson &amp; Dickinson PC</b>			
Street Address <b>356 East Main Street</b>		City <b>Saranac</b>	State <b>MI</b>
		ZIP <b>48881</b>	
Accountant Signature  CPA		Date <b>1/17/06</b>	

# Lake Odessa Community Library

February 28, 2005

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**Independent Auditor's Report**

Independent Auditor's Report

To the Library Board  
Lake Odessa Community Library  
Lake Odessa, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Odessa Community Library as of and for the year ended February 28, 2005, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Odessa Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Odessa Community Library as of February 28, 2005 and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Odessa Community Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Certified Public Accountants

October 12, 2005

**Management's Discussion and Analysis**

# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

This section of the Lake Odessa Community Library's annual financial report represents our discussion and analysis of the Library financial performance. It is intended to assist the reader in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending February 28, 2005. This is the first year of GASB 34 implementation.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lake Odessa Community Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds, the General Fund and the Capital Projects Fund- with all other funds presented in one column as nonmajor funds. The annual report is organized as follows:

### *Management's Discussion & Analysis (MD&A)* *(Required Supplemental Information)*

### Basic Financial Statements

#### *Government-wide Financial Statements*

#### *Fund Financial Statements*

#### *Notes to the Basic Financial Statements*

#### *(Required Supplemental Information)* *Budgetary Information for Major Funds*

### ***Reporting the Library as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the Library is, "Is the Library as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

These two statements report the Library's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the information provided.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Library, which encompass all of the Library's services. Property taxes and State penal fines finance most of these activities.

### ***Reporting the Library Most Significant Funds – Fund Financial Statements***

The Library's fund financial statements provide detailed information about the most *significant funds* - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes many other funds to help it control and manage money for particular purposes (like the Capital Projects Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

Governmental funds - All of the Library's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds in a* reconciliation.

# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

### The Library As A Whole

The Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library net assets as of February 28, 2005. Since this is the first year the Library has prepared financial statements following GASB Statement 34, comparison to fiscal year 2004 is not available.

Table 1:

Net Assets February 28, 2005		Governmental Activities
Current and other assets	\$	157,340
Capital assets		211,368
Total assets	\$	368,708
Current and other liabilities	\$	17,173
Long-term liabilities		71,602
Total liabilities		88,775
Net assets		
Invested in capital assets, net of related debt		127,093
Unrestricted		152,840
Total net assets	\$	279,933

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library governmental activities is discussed below. The Library's net assets were \$279,933 at February 28, 2005. Invested in capital assets, net of related debt totaling \$127,093 compares the original cost, less depreciation of the Library capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$152,840, was unrestricted.

# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

The \$152,840 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2005. Since this is the first year the Library has prepared financial statements following GASB Statement 34, revenue and expense comparison to fiscal year 2004 is not available.

**TABLE 2**

	<u>Governmental Activities</u>
<b>Revenues</b>	
Program revenues	
Charges for services	\$ 5,645
Grants and Catagoricals	4,924
General Revenues	
Property taxes	162,689
Penal fines	36,811
Other general revenues	8,541
Total revenues	<u>218,610</u>
<b>Functions/Program Expenses</b>	
Culture and recreation	162,922
Interest on long-term debt	4,005
Total expenses	<u>166,927</u>
<b>Increase (decrease) in net assets</b>	<u><u>\$ 51,683</u></u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$166,927. Certain activities were partially funded by those who benefited from service (5,645), governments and organizations that subsidized certain programs with grants and catagoricals (\$4,924). We paid for the remaining "public benefit" portion of our governmental activities with \$162,689 in taxes, \$36,811 in state penal fines, and with our other revenues, like interest and other revenues.

The Library experienced an increase in net assets of \$51,683.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library taxpayers. Since property taxes for operations and penal fines constitute the vast majority of Library's operating revenue sources, the Library Board and Administration must annually evaluate the needs of the Library and balance those needs with anticipated available State unrestricted resources.

# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

### The Library Funds

As we noted earlier, the Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the Library overall financial health.

As the Library completed this year; our governmental funds reported a combined fund balance of \$155,518, which is an increase of \$23,985 from last year.

The general fund's fund balance shows an increase of \$23,985.

### General Fund Budgetary Highlights

The Uniform Budget Act requires that the Board approve the original budget for the upcoming year prior to March 1.

Over the course of the year, the Library's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

The Library amended their budget during the fiscal year.

### Capital Asset and Debt Administration

#### *Capital Assets*

At February 28, 2005, the Library had \$351,333 invested in a broad range of capital assets, including buildings, furniture and equipment.

#### **Capital Assets at Year-end**

		February 28, 2005	
		2005	2004
Buildings and improvements	\$	257,854	\$ 257,854
Furniture and equipment		93,479	84,663
Total capital assets	\$	351,333	\$ 342,517

# Lake Odessa Community Library

## Management's Discussion and Analysis

February 28, 2005

### ***Debt***

At the end of this year, the Library had \$84,275 in notes outstanding versus \$112,035 last year - a decrease of \$27,760. Those bonds consisted of:

	<b>Outstanding Debt at Year-end</b>	
	<u>February 28, 2005</u>	<u>February 28, 2004</u>
Note payable - Union Bank	\$ 81,726	\$ 112,035
Capital lease payable	<u>2,549</u>	<u>0</u>
Total	<u>\$ 84,275</u>	<u>\$ 112,035</u>

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

### **Economic Factors and Next Year's Budgets And Rates**

The library's main funding sources of operating property tax millage and state penal fines generally constitutes 90% of the revenue received by the library. This is not expected to change during the upcoming year.

### **Contacting the Library Financial Management**

This financial report is designed to provide the Library's citizens, taxpayers, customers, and investors and creditors with a general overview of the Library finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Connie Teachworth  
Librarian  
Lake Odessa Community Library  
1007 Fourth Avenue  
Lake Odessa, MI 48849  
(616) 374-4591

**Government – Wide Financial Statements**

**Lake Odessa Community Library**  
Statement of Net Assets  
February 28, 2005

	Governmental Activities
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 52,470
Due from other governments	104,870
Total current assets	<u>157,340</u>
Non current assets	
Capital assets	351,333
Less: accumulated depreciation	(139,965)
Net capital assets	<u>211,368</u>
Total assets	<u><u>\$ 368,708</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 0
Accrued payroll and other liabilities	1,822
Accrued expense	2,678
Long-term liabilities due within one year	
Mortgage/lease payable-due within one year	<u>12,673</u>
Total current liabilities	17,173
Noncurrent Liabilities	
Mortgage/lease payable-due in more than one year	<u>71,602</u>
Total Liabilities	88,775
Net Assets	
Investment in capital assets- net of related debt	127,093
Unrestricted	<u>152,840</u>
Total net assets	<u><u>\$ 279,933</u></u>

See accompanying notes to financial statements.

**Lake Odessa Community Library**  
Statement of Activities  
February 28, 2005

	Program Revenues			Governmental Activities
	Expenses	Charges for Service	Operating Grants/ Contributions	Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs				
Governmental activities:				
Culture and recreation	\$ 162,922	5,645	4,924	\$ (152,353)
Interest on long-term debt	4,005	0	0	(4,005)
Total governmental activities	<u>\$ 166,927</u>	<u>\$ 5,645</u>	<u>\$ 4,924</u>	(156,358)
General revenues:				
Taxes				
Property taxes, levied for general purpose				162,689
Penal fines not restricted to specific purposes				36,811
Interest and investment earnings				615
Other				<u>7,926</u>
Total general revenues				<u>208,041</u>
Changes in net assets				<u>51,683</u>
Net assets- beginning of year				<u>228,250</u>
Net assets-end of year				<u>\$ 279,933</u>



**Fund Financial Statements**

**Lake Odessa Community Library**  
**Governmental Funds**  
**Balance Sheet**  
**February 28, 2005**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash	\$ 52,470	\$ 52,470
Due from other governments	<u>104,870</u>	<u>104,870</u>
Total assets	<u><u>\$ 157,340</u></u>	<u><u>\$ 157,340</u></u>
Liabilities and fund equity		
Liabilities		
Payroll taxes payable	<u>\$ 1,822</u>	<u>\$ 1,822</u>
Total liabilities	1,822	1,822
Fund Equity		
Fund balances		
Undesignated	<u>155,518</u>	<u>155,518</u>
Total fund equity	<u>155,518</u>	<u>155,518</u>
Total liabilities and fund equity	<u><u>\$ 157,340</u></u>	<u><u>\$ 157,340</u></u>

**Lake Odessa Community Library**  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds to Net Assets  
February 28, 2005

<b>Total Fund Balances- Governmental Funds</b>	<b>\$ 155,518</b>
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Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in government activities are not  
financial resources, and are not reported in the funds

Capital assets cost:	\$ 351,333	
Accumulated depreciation:	<u>(139,965)</u>	
Net Capital Assets		211,368

Long term and other liabilities are not due and payable  
in the current period and are not reported in the funds

Accrued expenses	(2,678)	
Mortgage Payable	<u>(84,275)</u>	
Net assets of governmental activities	<u><u>\$ 279,933</u></u>	

**Lake Odessa Community Library**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended February 28, 2005**

	<u>General</u>
Revenues	
Property Taxes	\$ 162,689
Penal fines	33,222
State revenue sharing	1,939
Interest	615
Contributions - other	1,924
Miscellaneous	<u>18,221</u>
Total revenues	218,610
Expenditures	
Wages	72,604
Payroll taxes	5,554
Fringe benefits	4,071
Books	16,338
Periodicals	2,088
Supplies	3,014
Repairs and maintenance	14,842
Audio Visual	6,900
Co-op fees	10,835
Insurance	3,657
Memberships and dues	868
Utilities	5,833
Professional services	1,708
Miscellaneous	10,829
Capital outlay	<u>3,715</u>
Debt Service	
Redemption of bonds/notes	30,309
Interest and fiscal charges	<u>4,005</u>
Total expenditures	197,170
Excess of revenues over (under) expenditures	21,440
Other financing sources (uses)	
Lease Proceeds	<u>2,549</u>
Total other financing sources(uses)	<u>2,549</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	23,989
Fund balances at beginning of year	<u>131,529</u>
Fund balances at end of year	<u>\$ 155,518</u>
Excess (deficiency) of revenues	
See accompanying notes to financial statements.	

**Lake Odessa Community Library**  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended February 28, 2005

Net Change in Fund Balances- Total Governmental funds	\$ 23,989
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Amount reported for governmental activities in the statement  
of activities are different because:

Governmental funds reported capital outlays as expenditures;  
in the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(10,308)
Capital outlay	8,816

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	31,735
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Lease purchase recorded as income in governmental funds	<u>(2,549)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 51,683</u></u>
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# **Lake Odessa Community Library**

## **Notes to Financial Statements**

February 28, 2005

### **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Lake Odessa Community Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

#### **Reporting Entity**

The Library is governed by an appointed Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the district does not contain any component units.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

**Government-Wide Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental funds:

The General Fund is the library primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

#### Assets, Liabilities, and Net Assets or Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenues when earned.

Properties are assessed as a December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

As part of the Ionia County Library Services contract, Ionia County levies the appropriate operating millage on a countywide basis. The County Treasurer is responsible for collecting the property taxes. The Treasurer will then remit the appropriate share to each library within the County, after settlement is made with the various taxing agencies within the County.

**Capital Assets** – Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Library does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

**Long-Term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** – Comparative data is not included in the Library's financial statements.



# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 1 – Summary of Significant Accounting Policies (Continued)

**Accounting Change** – Effective March 1, 2004, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.

Capital assets in the governmental activities column of the statement of net assets include assets totaling \$342,517 previously required to be reported in the General Fixed Assets Account Group. Capital assets at March 1, 2004 have been adjusted to reflect the historical cost of the Library capital assets at that date.

**Use of Estimates** - The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Note 2 – Stewardship, Compliance and Accountability

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by March 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** – The Library did not have significant expenditure budget variances.

# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 3 – Deposits and Investments

At year-end, the library deposits and investments were reported in the basic financial statements in the following categories:

	Governmental
	<u>Activities</u>
Cash and cash equivalents	<u>\$ 50,648</u>

The breakdown between deposits and investments for the Library is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 50,648
Petty cash and cash on hand	<u>0</u>
Total	<u>\$ 50,648</u>

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the same time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end is as follows:

<u>Deposits</u>	<u>Bank Balances</u>
Insured FDIC	\$ 62,766
Total deposits	<u>\$ 62,766</u>

At year end, the balance sheet carrying amount of deposits was \$50,648.

### Note 4 – Receivables

Receivables as of year-end for the library individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
	<u>Fund</u>
Receivables:	
Intergovernmental	<u>\$ 104,870</u>

# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 4 – Receivables (continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The library had no deferred revenue at year-end.

### Note 5 – Capital Assets

Capital asset activity of the library Governmental activities was as follows:

	Balance February 28, 2004	Additions	Disposals and Adjustments	Balance February 28, 2005
Capital assets being depreciated:				
Buildings	\$ 257,854	\$ 0	\$ 0	\$ 257,854
Furniture and equipment	84,663	8,816	0	93,479
Subtotal	342,517	8,816	0	351,333
Accumulated depreciation:				
Buildings	72,199	5,157	0	77,356
Furniture and equipment	57,458	5,151	0	62,609
Subtotal	129,657	10,308	0	139,965
Net capital assets	\$ 212,860	\$ (1,492)	\$ 0	\$ 211,368

Depreciation expense of \$10,308 was charged to activities of the library.

### Note 6 – Long-Term Debt

Mortgage and capital lease payable at February 28, 2005 are comprised of the following:

#### Mortgage Payable

On February 4, 1997, the Library purchased a building on Fourth Avenue in Lake Odessa. As part of this purchase a Mortgage from Union Bank was obtained in the amount of \$154,000. On March 30, 1999, the Library obtained a new mortgage loan from Union Bank in the amount of \$170,986.11. The new mortgage loan proceeds were used to pay off the old mortgage loan in full and to generate approximately \$20,000 in operating capital. The new mortgage loan requires twenty annual payments beginning

# Lake Odessa Community Library

## Notes to Financial Statements

February 28, 2005

### Note 6 – Long-Term Debt (continued)

April 2, 2000 in the amount of \$14,308, including interest at a variable rate. The interest rate on February 28, 2005 was 3.5%. The final payment will be adjusted for the effects of rate changes over the life of the mortgage. \$ 81,726

#### Capital Lease Payable

On March 31, 2004, the Library purchased a computer and printer through a capital lease. The Library has the option to purchase this equipment at the end of the lease, therefore, this lease was set up as a capital lease. The contract requires 3 annual payments of \$1,614.14, including imputed interest at 17.305%.

2,549

Total mortgage and capital lease payable

\$ 84,275

The following is a summary of long-term transactions for the year ended February 28, 2005:

	Mortgage and Lease Payable
Long-term debt payable at March 1, 2004	\$ 112,035
Additions	3,975
Deletions	(31,735)
Long-term debt payable at February 28, 2005	\$ 84,275

The annual requirements to amortize long-term debt outstanding as of February 28, 2005, including interest payments are as follows:

	Mortgage and Lease Payable
2006	\$ 15,922
2007	15,922
2008	14,308
2009	14,308
2010	14,308
Thereafter	22,202
Total	\$ 96,970

# **Lake Odessa Community Library**

## **Notes to Financial Statements**

February 28, 2005

### **Note 7 – Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Library has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 8 – Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library believes such amounts, if any to be minimal.

The Library is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

### **Note 9 – Pension Plan**

As of February 28, 2005, the Library does not have a pension plan. The Library does provide a deferred compensation (Sec. 457 plan) to its employees.

### **Note 10 – Post-employment Benefits**

The Library provides no post-employment benefits to retirees.

**Required Supplemental Information**

**Lake Odessa Community Library**  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 134,131	156,600	162,689	\$ 6,089
Penal fines	33,000	33,000	33,222	222
State revenue sharing	3,000	3,000	1,939	(1,061)
Interest	900	900	615	(285)
Contributions - other	1,100	1,100	1,924	824
Miscellaneous	5,400	5,400	18,221	12,821
Total Revenues	177,531	200,000	218,610	18,610
Expenditures				
Wages	73,363	73,363	72,604	759
Payroll taxes	5,677	5,677	5,554	123
Fringe benefits	4,845	4,845	4,071	774
Books	16,000	16,000	16,338	(338)
Periodicals	1,800	1,800	2,088	(288)
Supplies	3,500	3,500	3,014	486
Repairs and maintenance	10,900	14,300	14,842	(542)
Audio Visual	6,000	7,000	6,900	100
Co-op fees	11,500	11,500	10,835	665
Insurance	3,266	3,266	3,657	(391)
Memberships and dues	1,128	1,128	868	260
Utilities	5,508	5,508	5,833	(325)
Professional services	1,500	1,500	1,708	(208)
Capital outlay	2,900	2,900	3,715	(815)
Debt payments	18,948	35,908	34,314	1,594
Miscellaneous	8,705	11,805	10,829	976
Total Expenditures	175,540	200,000	197,170	2,830
Excess of Revenue Over (Under) Expenditures	1,991	0	21,440	21,440
Other Financing Sources (Uses)				
Lease proceeds	0	0	2,549	2,549
Total Other Financing Sources (Uses)	0	0	2,549	2,549
Excess (deficiency) of revenues over expenditures and other sources (uses)	1,991	0	23,989	23,989
Fund Balance, beginning of year	131,529	131,529	131,529	131,529
Fund balance, end of year	133,520	131,529	155,518	23,989

See accompanying notes to financial statements.